

BALL JANIK LLP
ATTORNEYS

RECORDATION NO. 21556 FILED

AUG 7 '98

2-54 PM

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LOUIS E. GITOMER
OF COUNSEL
(202) 466-6532

August 7, 1998

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Washington, DC 20423

Dear Secretary Williams:

I have enclosed the original and one certified copy of the document described below, to be recorded pursuant to 49 U.S.C. §11301.

The document is a Memorandum of Security Agreement, a primary document, dated as of May 21, 1998. Please record this document under the next available Recordation Number. The names and addresses of the parties to the Memorandum of Security Agreement are:

Secured Party/Agent:

NationsBank, N.A.
Third and Broadway
Pittsburg, KS 66762

Debtor:

Watco, Inc.
1230 South Walnut Street
Coffeeville, KS 67337

A description of the equipment covered by the Memorandum of Security Agreement is in Attachment and **ALL NOW OWNED OR HEREAFTER ACQUIRED.**

BALL JANIK LLP

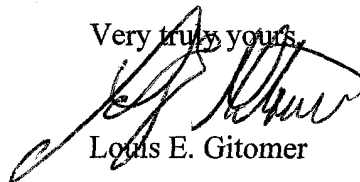
Honorable Vernon A. Williams
August 7, 1998
Page 2

A fee of \$26.00 is enclosed. Please return the original document to:

Louis E. Gitomer
Of Counsel
Ball Janik LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005

A short summary of the document to appear in the index follows: a Memorandum of Security Agreement between NationsBank, N.A., Third and Broadway, Pittsburg, KS 66762, and Watco, Inc., 1230 South Walnut Street, Coffeetown, KS 67337, covering the equipment described in the Attachment and **ALL NOW OWNED OR HEREAFTER ACQUIRED.**

Very truly yours,

A handwritten signature in black ink, appearing to read "L. Gitomer", is written over the typed name "Louis E. Gitomer".

Enclosures

Memorandum of Security Agreement

SCHEDULE

WATCO, Inc..... See attached.

Exhibit K

Generations Holdings, Inc.
Pittsburg, Kansas

Date: 13-May-98

← Present Road ID →			← Manufacturer →		Date Built or ReBuilt	← Acquisition Information →		
Corp Owner	Road Initials	Road #	Model #	Serial # (2)		Last Class I	From	Date
91	WATCO	BLMR	784	GP 35			GE CAPITAL	2/28/94
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146	WATCO	WATX	8138	GP 10			CORBIN RAILWAY	6/1/92
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MEMORANDUM OF SECURITY AGREEMENT

This Memorandum of Security Agreement, dated as of May 21, 1998, is by Watco, Inc. (the "Debtor"), and Nationsbank, N.A., as Agent for the Banks pursuant to the Credit Agreement (the "Credit Agreement"), dated as of May 21, 1998, among Generations Holdings, Inc. (the "Borrower"), the Banks listed therein (the "Banks"), and the Agent.

1. The Banks have made a loan to the Borrower pursuant to the Credit Agreement for the purpose of financing the operating needs of the Borrower and its affiliates (including the Debtor). Such loans are secured by the Debtor's assets pursuant to a Security Agreement, dated as of May 21, 1998.

2. Pursuant to the Security Agreement Debtor grants to the Banks a lien on and security interest in all of Debtor's right, title and interest in and to the equipment (as defined in the Security Agreement) identified in the Schedule attached hereto and now owned or hereafter acquired, pursuant to Section 2 of the Security Agreement.

IN WITNESS WHEREOF, each of the parties hereto have caused this MEMORANDUM OF SECURITY AGREEMENT to be executed by its duly authorized officer as of the date first above written.

WATCO, INC.
as Debtor

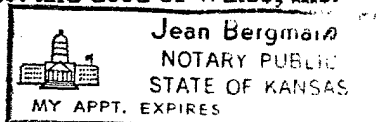
By: Charles R. Webb
Name: Charles R. Webb
Title: President

NATIONSBANK, N.A.
as Agent

By: Jeffrey G. Elliott
Name: Jeffrey G. Elliott
Title: Vice President

State of Kansas)
County of Crawford) ss.

On this 21 day of May, 1998, before me personally appeared Charles L. Webb, to me personally known, who, being by me duly sworn, says that (s)he is President of Watco, Inc., and that (s)he is duly authorized to sign the foregoing instrument on behalf of Watco, Inc., and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of Watco, Inc.

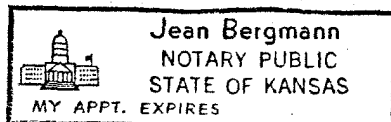


Jean Bergmann
Notary Public

My commission expires: 6-21-98

State of Kansas)
County of Crawford) ss.

On this 21 day of June, 1998, before me personally appeared Jeffrey B. Elliott, to me personally known, who, being by me duly sworn, says that (s)he is Vice President of Nationsbank, N.A., and that (s)he is duly authorized to sign the foregoing instrument on behalf of Nationsbank, N.A., and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of Nationsbank, N.A.



Jean Bergmann
Notary Public

My commission expires: 6-21-98

Memorandum of Security Agreement

SCHEDULE

WATCO, Inc..... See attached.

Exhibit K

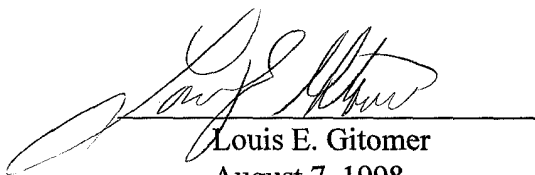
Generations Holdings, Inc.
Pittsburg, Kansas

Date: 13-May-98

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147	WATCO	WATX	8712	SW 9	1980		KKX RAIL	12/18/96

CERTIFICATION

I, LOUIS E. GITOMER, have compared this copy to the original Memorandum of Security Agreement dated as of May 21, 1998, and found the copy to be complete and identical in all respects to the original document. I declare under penalty of perjury that the foregoing is true and correct.



Louis E. Gitomer
August 7, 1998